



Guidance for Applicants

Petroleum Licensing in Northern Ireland

June 2010

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INTRODUCTION

1

1.1 PURPOSE OF THIS GUIDANCE AND RELEVANT LEGISLATION

The purpose of this Guidance is to assist any person who wishes to apply for a Petroleum Licence (as defined in [Section 2.1](#) below) in Northern Ireland by setting out how to complete, support and submit an application and by directing Applicants to other relevant information with which to familiarise themselves prior to submitting an application.

[DETI's website](#) contains other useful information, including general information about the licensing system and the availability of technical data

1. Any person who wants to explore for, drill for or extract oil or gas in Northern Ireland must hold a Petroleum Licence granted under the [Petroleum \(Production\) Act \(Northern Ireland\) 1964](#) by the Department of Enterprise, Trade and Investment (“DETI”).
2. DETI is responsible for granting Petroleum Licences for all areas of [Northern Ireland](#) including the internal waters adjacent to Northern Ireland (although these internal waters have not yet been made available for licence applications). The Department of Energy and Climate Change is responsible for granting licences in the offshore waters adjacent to Northern Ireland.
3. A Petroleum Licence does not grant *carte blanche* to carry out all petroleum-related activities from then on. Some activities, such as drilling, are subject to further individual controls by DETI, and a licensee remains subject to controls by other bodies such as the Health and Safety Executive Northern Ireland, the Planning Service and the Northern Ireland Environment Agency. Furthermore, the grant of a Petroleum Licence in no way waives the requirement for the licensee to get any necessary permission from landowners, planning authorities, etc. It is the licensee’s responsibility to be aware of, and comply with, all regulatory controls and legal requirements. DETI cannot offer advice on regulation outside its remit, nor on legal issues.

4. The application and licensing process is underpinned by regulations which, among other things, set out the arrangements for making and determining applications, permissible terms and conditions for granting a Petroleum Licence and the model clauses which may be incorporated in a Petroleum Licence. They also specify the current criteria for determining applications for Petroleum Licences. These regulations are:

- the [Petroleum Production Regulations \(Northern Ireland\) 1987](#) (as amended by the [Petroleum Production \(Amendment\) Regulations \(Northern Ireland\) 2010](#)); and
- the [Hydrocarbons Licensing Directive Regulations \(Northern Ireland\) 2010](#).

5. The Hydrocarbons Licensing Directive Regulations (Northern Ireland) 2010 (the "Regulations") implement [EC Directive 94/22/EC](#) of 30 May 1994 on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons (the "Directive"). The emphasis of the Directive is on creating non-discriminatory and transparent access to hydrocarbon resources within member states with the objective of encouraging competition and developing the internal energy market.

6. In order to implement the Directive, it is necessary to include a transitional process for making and determining applications for Petroleum Licences in Northern Ireland. This process deals with the treatment of acreage licensed under the previous Northern Ireland licensing regime. The process seeks to ensure that there is no discrimination in the consideration, determination and grant of Petroleum Licences between Applicants who were former licensees of the acreage and those who were not (the "[Transitional Process](#)").

7. The Transitional Process is contained in [regulations 13 and 14](#) of the Regulations. It only applies where (i) there are competing applications for acreage which overlaps in whole or in part with acreage licensed under the previous regime in Northern Ireland; and (ii) one of the applicants is the former licensee of the acreage. DETI expects that in reality the Transitional Process will only apply to the first round of licence applications after the

Regulations and the Petroleum Production (Amendment) Regulations (Northern Ireland) 2010 come into operation. In all other cases, the normal arrangements as set out in this Guidance will apply.

8. Applicants should also note:

- the provisions of the [Utilities Contract Regulations 1996 \(S.I. 1996/2911\)](#), which require that Applicants observe the principles of non-discrimination and competitive procurement in awarding certain contracts; and
- the requirement for licensees to supply to the [Geological Survey of Northern Ireland](#) ("GSNI") copies of exploration (and production) data and associated information acquired by the licensee. [Confidentiality provisions](#) will apply to this material but it is DETI's policy to eventually make as much of this information as possible available to assist the future exploration and development of Northern Ireland's oil and gas resources. GSNI holds a substantial archive of data from previous Petroleum Licences and the released data is available from GSNI. DETI encourages the early release of information and advises licensees to contact GSNI about their requirements for data.

9. If you have any further queries, or need clarification of anything in this Guidance, there is a list of [Contacts](#) in Section 6.

1.2 NOTIFICATION OF AVAILABILITY OF AREAS FOR LICENSING AND WHEN TO SUBMIT APPLICATIONS

Area available

10. On 29 June 2010, DETI published a [Notice](#) (2010/C169/4) in the Official Journal of the European Union (the "Official Journal") to announce that all of onshore Northern Ireland excluding the internal waters is available for Petroleum Licence applications and requesting initial applications by 27 August 2010.

11. If DETI wishes to change the areas of Northern Ireland which are

available, it will give prior notice of such change in a further Notice in the Official Journal. The relevant maps on the DETI website showing the available acreage will be updated as Petroleum Licences are granted or expire or as acreage is surrendered.

12. If DETI considers that (and to the extent that) geological or production considerations justify granting a Petroleum Licence to a licence holder of a contiguous area, DETI need not publish a Notice in the Official Journal. If there is more than one contiguous area licensed, DETI will ensure that all relevant licence holders are able to submit applications.

13. A further Notice in the Official Journal will be published if the internal waters become available for Petroleum Licence applications. The procedures outlined in this Guidance will apply if this acreage is made available. Specific timings for submission of applications, including a 60 day deadline for submission of initial applications, will be specified in the relevant Notice.

14. Please note that even if DETI publishes a Notice in the Official Journal, it is not obliged to grant a Petroleum Licence if it does not consider it appropriate provided that this does not discriminate between Applicants.

When to submit applications

15. For applications submitted in response to the Notice in the Official Journal of the European Union dated 29 June 2010 on or before 27 August 2010

- The Notice invites applications to be submitted on or before 27 August 2010. All applications will be treated as having been made on 27 August 2010 and will be considered and determined together.

16. For applications submitted on or after 30 August 2010

- Applications submitted on or after 30 August 2010 will be considered and determined on a 'first come, first served' basis for any unlicensed acreage of onshore Northern Ireland.

17. For applications submitted in response to any subsequent Notice in the Official Journal of the European Union

- Deadlines for submission of applications will be stipulated in the relevant Notice.

1.3 INTRODUCTION TO THIS GUIDANCE

This guidance is designed to assist Applicants in completing and submitting their application following publication of a Notice in the Official Journal of the European Union.

This Section summarises the remainder of this Guidance.

18. Section 2 (General information for Applicants) outlines the type of Petroleum Licence which can be applied for and the type of applicant which DETI will consider. It also introduces the fiscal regime in Northern Ireland and outlines DETI's commitments to transparency throughout the application process.

19. Section 3 (Content of application) details the documentation, information and fee which have to be submitted to make an application for a Petroleum Licence. It provides Applicants with information on what is required to be submitted with each element of the application.

20. Section 4 (How and when to submit the application) provides Applicants with details of the practical aspects of submitting an application, such as format of documentation and paying of the application fee.

21. Section 5 (Assessment of applications) provides information on how DETI will reach a decision following submission of an application. It includes sections on the assessment of an Applicant's financial and technical competencies. This section also covers the process which will be followed when there is more than one application for an area.

22. Section 6 (Contacts) provides Applicants with relevant contact details.

23. Annexe 1 contains a glossary of technical terms used throughout this Guidance.

24. Annexe 2 provides information on the Marks Scheme which will be used to assess applications.

GENERAL INFORMATION FOR APPLICANTS

2

2.1 LICENCE TERMS AND CONDITIONS

1. Petroleum Licences cover exploration, appraisal, development and production.
2. In Northern Ireland, a Petroleum Licence has the following periods:
 - a five-year Initial Term, during which an agreed Work Programme of exploration must be carried out (to prevent expiry);
 - a five-year Second Term, during which a Field Development Programme must be approved (to prevent expiry); and
 - a 20-year Third Term, called the production period.
3. DETI is required to ensure that the above periods are sufficient to allow the activities for each period to be completed, but do not extend beyond such time as DETI determines to be necessary to properly perform the activities for the appropriate period.
4. In this Guidance, an application for a licence with a Firm commitment to drill a well ("[Firm Well Commitment](#)") is referred to as an application for a **Standard Petroleum Licence**.
5. The standard arrangements for model clauses which may be incorporated in a Petroleum Licence are set out in Schedule 2 to the Petroleum Production Regulations (Northern Ireland) 1987, as amended by the Petroleum Production (Amendment) Regulations (Northern Ireland) 2010. However, DETI can offer Petroleum Licences on modified terms.
6. DETI recognises that, as Northern Ireland is relatively under-explored, there is potential for small and start-up companies to be granted a Petroleum Licence before attracting the necessary operating and financial capacity to fully explore and exploit the licence area. In such a case, the

7. Applicant can apply for a **Petroleum Licence with a 'Drill-or-Drop' Commitment**. This licence will contain a 'Break Point', normally at the end of the third year. The Work Programme associated with the licence will consist of two parts: Part I relating to the proposed work up to the Break Point; and Part II relating to the proposed work for the remainder of the Initial Term. If the licence has not terminated by the Break Point, Part II of the Work Programme will include drilling a well. Such a licence will require the financial and technical capacity in respect of Part I to be in place at the time of application. In respect of Part II, a Firm Well Commitment (or agreed equally substantive activity) must have been made and the associated financial and technical capacity must be in place before the Break Point. In the absence of such commitment and financial and technical capacity, the licence will terminate. In this Guidance, an application for a licence without a Firm Well Commitment is referred to as an application for a **Petroleum Licence with a Drill-or-Drop Commitment**.

7. In this Guidance, where we refer to "Petroleum Licence", we mean a Standard Petroleum Licence or a Petroleum Licence with a Drill-or-Drop Commitment.

2.2 THE APPLICANT

Only Applicants with the necessary financial and technical capacity, and appropriate environmental awareness, will be considered for the granting of Petroleum Licences. Each application must therefore be supported by evidence that the Applicant meets the minimum criteria.

DETI recognises that Northern Ireland is still relatively under-explored and encourages the involvement of both well-established exploration companies and new entrants.

8. An application may be made by a single company or by a group of companies. In this Guidance, references to 'the Applicant' cover these situations unless clearly stated otherwise.

9. To be granted a Petroleum Licence, an Applicant must be registered in the United Kingdom, either as a company or as a branch of a foreign company.

10. The application must include the Registered Name, Address and Number of each company that is to have a stake in the Petroleum Licence.
11. DETI strongly recommends that Applicants should be clear about exactly which companies they want to hold the Petroleum Licence, and ensure that those are the companies that apply in the first place. DETI cannot promise to act on late requests to grant a Petroleum Licence to an affiliate company instead, and will not consider any request to grant a Petroleum Licence to an Applicant unrelated to the company or companies that made the application.
12. Where a Petroleum Licence is held by a group of companies acting as a single Applicant, each company bears full joint and several liability to DETI.
13. DETI will not approve joint operating agreements if they include [pre-emption](#) provisions.

2.3 FISCAL ARRANGEMENTS IN NORTHERN IRELAND

The current fiscal regime for oil and gas onshore Northern Ireland consists of three elements outlined below:

14. **Ring Fence Corporation Tax** is the standard corporation tax applicable to all companies (subject to some important modifications, for example, relating to capital allowances) with the addition of a "ring fence". The ring fence prevents taxable profits from oil and gas extraction in the United Kingdom being reduced by losses from other activities or by excessive interest payments.
15. **Supplementary Charge** is an additional charge set at 20% on an Applicant's ring fence profits excluding finance costs.
16. **Royalties** are levied at 7½% of the gross value of oil and gas won in a particular licence area, less an allowance for the costs associated with the conveying, treating and initial storage of the oil and gas between the well head and the point of valuation. It is payable to DETI, but may be claimed

17. by former owners of the mineral rights by way of compensation for the vesting of these rights in DETI under the Petroleum (Production) Act (Northern Ireland) 1964.

18. Applicants may also wish to visit the [HM Revenue & Customs](#) website which sets out “The Taxation of the UK Oil Industry: An Overview: The Current Fiscal Regime for Oil and Gas.”

17. There are currently no annual Petroleum Licence rental fees which apply in Northern Ireland.

2.4 [TRANSPARENCY](#)

Applicants may need to include commercially sensitive information in their applications, such as financial forecasts and proprietary data. DETI will handle such information in accordance with the Freedom of Information Act 2000, the Data Protection Act 1998 and other relevant law, which take full cognisance of issues of transparency and confidentiality.

Petroleum Licence holders are also required to submit reports and data to DETI under the terms of their Petroleum Licence. DETI may publish this information subject to certain conditions.

18. DETI treats applications as confidential until its decision can be announced and the successful Applicant has been informed. After that, DETI will publish the successful Applicants’ names and marks and, when a Petroleum Licence has been executed, the Petroleum Licence document itself will be published. DETI will also notify the losing Applicants of their marks for each area and, where requested by the Applicant, written reasons for the refusal of their application. After five years, DETI will also make publicly available the technical components of each application, subject to any representations made by the Applicant.

19. Reports and data submitted to DETI under the terms of a licence are subject to confidentiality for specified periods following which they may be published.

20. To maximise the availability of useful information about the petroleum geology of Northern Ireland, DETI will require the submission of a short report when a Petroleum Licence terminates, summarising the work done, prospectivity identified and associated reserve estimates for the area which was licensed. DETI may publish this report.

21. Data Protection Act 1998: Contact details, including individuals' names and email addresses, will be held and used by DETI in communications relating to the application and to any Petroleum Licence granted as a result of it. In the case of successful applications, this information will be made publicly available by DETI. For example, DETI will publish licensees' contact details on its website, and will supply them to companies or individuals wishing to contact the licensee. Anyone who wishes to object to any of these uses should make their objections, and the grounds for them, clear when submitting their application.

CONTENT OF APPLICATION

3

3.1 REQUIRED DOCUMENTATION

1. All applications for Petroleum Licences must contain the following forms and documentation, and be accompanied by the appropriate fee. An original signed Application Form and original signed Financial Capacity Form (Appendix A) must be submitted on paper. In addition, one paper copy and one CD-ROM copy of all forms and documentation must be included. The full contents of an application are:

- original signed [Application Form](#);
- **map** showing the area applied for on a scale of 1:50,000;
- **audited [accounts](#)** and any additional information as detailed in this Guidance (see, for example, Section 3.6), to enable a **Financial Viability Assessment** to be conducted;
- original signed [Financial Capacity Form\(s\) \(Appendix A\)](#), to enable a **Financial Capacity Assessment** to be conducted, together with one copy of the supporting financial information *about each company*;
- [Technical Information Form \(Appendix B\)](#) **in colour** including a copy of the **proposed Work Programme**;
- [Environmental Awareness Statement \(Appendix C\)](#);
- additional supporting information which DETI requires as detailed in this Guidance (for example, interim balance sheets, corporate structure, etc); and
- a payment covering the **application fee**.

2. Approved forms are only available for the Application Form, Appendix A (Finance) Parts A1 to A6, Appendix B Parts B1, B2 and B5 and Appendix C. Where approved forms have been published by DETI, these forms must be used. Submission of the required information using any other form will lead to refusal of an application.

3. If any of the information provided in relation to, or matters stated in, the application changes prior to the Applicant receiving notice of the determination of an application by DETI, the Applicant must provide DETI with written notice. This notice must include details of the changes.

4. Applicants for **Petroleum Licences with a Drill-or-Drop Commitment** need only demonstrate financial and technical capacity in respect of Part I of their **Work Programme**. However, such Applicants demonstrating financial and technical capacity in respect of both Parts 1 & 11 of the work programme at the time of application may be awarded higher marks under the Plans and timing section of the Marks Scheme.

3.2 APPLICATION FORM

5. All applications must be made on the approved [Application Form](#) which must have all sections completed and be accompanied by all supporting information. An application which is not on the approved form, comprises an incomplete or unsigned form, or is not accompanied by all the required supporting information will be refused.

3.3 APPLICATION FEE

6. The application fee is prescribed by [regulation 5 of the Petroleum Production Regulations \(Northern Ireland\) 1987](#), as amended from time to time, and must accompany each application for a Petroleum Licence. At the date of this Guidance, the application fee is GBP 1,000.

3.4 APPLICATION AREA

Applicants can apply for any available acreage, but DETI is not obliged to grant Petroleum Licences for all acreage applied for.

Where DETI grants a Petroleum Licence, it is not bound to grant a Petroleum Licence for the full acreage applied for. In particular, DETI will seek to ensure a close correlation between the Work Programme submitted and the area granted.

7. In Northern Ireland, DETI will decide which areas to offer after considering a number of factors, for example, the proposed exercise of activities in the area applied for, restrictions imposed by other government departments, or demand from industry. The Notice published in the Official Journal on 29 June 2010 made all of onshore Northern Ireland excluding the internal waters available for Petroleum Licence applications.

8. There is no upper limit to the amount of acreage which can be contained in an application, but there may be limits to the amount of acreage that DETI will grant to a single Applicant. DETI will ensure that the extent of each area licensed does not exceed the area justified to ensure the best possible exercise of the activities authorised by the Petroleum Licence from a technical and economic point of view. Applicants are advised to ensure that their proposed **Work Programme** demonstrates that they will explore fully the area identified in their application otherwise DETI may grant a Petroleum Licence for less than the total area applied for.

9. Applications should be made for a single contiguous area. Separate applications are required for more than one area. DETI may not be prepared to license a very small or irregular area.

3.5 MAP

10. All applications must be accompanied by a copy of an Ordnance Survey map on a scale of 1:50,000, or such other map as DETI may allow. The boundaries of the area applied for should follow Irish National Grid (ING) 1 kilometre squares where possible.

11. Applicants should also provide a list of the corner or turning points of the outline of the area applied for in ING co-ordinates.

3.6 FINANCIAL VIABILITY

DETI must be confident that any Applicant that is granted a Petroleum Licence is likely to continue in sound financial health for the foreseeable future. Each Applicant must therefore demonstrate its basic financial viability. DETI must apply financial checks to individual companies ('Licence Partners') within an Applicant group so each company must provide its own audited accounts.

12. Each company (whether an Applicant in its own right or as one party in a multi-party Applicant) must submit two copies of its most recent audited annual accounts, together with any Interim Statements subsequently published, with its application. They must include the Notes thereto, the Chairman's Statement, the Report of the Directors and Auditors' Report. Accounts must be in English, or accompanied by a translation into English.

13. Each company must also submit two copies of the group (consolidated) accounts or financial statements of any body corporate that ultimately controls¹ it.

14. If the latest accounts of any company or its ultimate parent relate to a period ending more than 12 months before the application date, two copies of full management accounts (comprising profit and loss account, balance sheet and cash flow) for the 12 months prior to the date of application, or if these are not available showing the 12 month period to the latest date in respect of which management accounts are available, should also be submitted. For the ultimate parent company these management accounts should be on a group (consolidated) basis.

¹ As defined in regulation 3(4) of the Petroleum Production Regulations (Northern Ireland) 1987 as substituted by regulation 2(4) of the Petroleum Production (Amendment) Regulations (Northern Ireland) 2010.

3.7 FINANCIAL CAPABILITY

DETI must be satisfied that an Applicant has the financial capacity to meet its commitments under a Petroleum Licence. In the case of Petroleum Licences with a Drill-or-Drop Commitment, Applicants need only demonstrate financial capacity in respect of Part 1 of the Work Programme.

15. The Financial Capacity Form ([Appendix A](#)) gives financial information about the Applicant. Where an Applicant is a group of companies, each constituent company ('Licence Partner') must complete a separate form, including all appendices, and provide the relevant supporting information with regard to its own affairs.

16. Appendix A has six parts and all parts must be completed by each company in accordance with this Guidance.

- Part A1 will show company and contact details.
- Part A2 (the Financial Capacity Questionnaire) will show the overall figures on which DETI will base its assessment.
- Part A2 will be supported by Parts A3 to A5 (Existing Capital Commitments and Planned Expenditure Profiles), each of which will carry an itemised breakdown of some of the aggregate figures on Part A2.
- Part A6 is a declaration to be signed by a duly authorised officer of the company. Applicants must complete all of Parts A1 to A6, providing a nil return for individual Parts as appropriate.

17. Where an Applicant is comprised of more than one company, DETI recognises that even though each Licence Partner is jointly and severally liable to DETI for liabilities incurred pursuant to the Petroleum Licence, the Partners will normally apportion the liabilities between them, for example, through an unincorporated joint venture or other arrangements.

18. In this case, to enable DETI to carry out its financial assessment of the Applicant (both in terms of viability and capacity) and each constituent

company which forms the Applicant, the Applicant must submit the unincorporated joint venture agreement or other agreement and other documents or evidence to confirm how liabilities and obligations under the Petroleum Licence are apportioned between the Licence Partners. This must be submitted with each company's completed Appendix A.

3.8 TECHNICAL CRITERIA

DETI needs to be satisfied that an Applicant has (i) the ability to carry out its obligations under a Petroleum Licence (including the Work Programme); and (ii) has the resources to do so. DETI also needs to be satisfied as to the Applicant's understanding of the acreage (including work done), its evaluation of prospectivity and its proposed Work Programme.

19. All Applicants must complete a **Technical Information Form** ([Appendix B](#)). Appendix B comes in five sections:

- **B1: Lead/Prospect Summary Sheet.** A copy of this form must be completed for each [Lead](#) or [Prospect](#) within the acreage that the Applicant has identified, together with an assessment of Risks and Reserves for each Lead/Prospect and whether it is ready to be drilled or still needs further evaluation.
- **B2: Work Programme Summary Sheet.** This form must set out the Applicant's proposed Work Programme within the acreage.
- **B3: Supporting technical information.** The Applicant must show how it has applied technical expertise to the available data to arrive at its assessment of the prospectivity of the area applied for, and present its technical case that its Work Programme represents the best way to explore for the petroleum resources (or to develop known resources) in the acreage.
- **B4: Operator competence and technical capacity.** The Applicant must support its case that it is competent to operate on the acreage that it is applying for. This will include demonstrating adequate levels of expertise, including training provided to technical staff in the three year period before the licence application.

- **B5: Declaration.** To be completed by an authorised officer of the nominated operator.

20. Parts B1 and B2 should be submitted in the approved form and, when completed, should be attached to the Application Form.

21. The supporting technical information and operator competence and technical capacity sections of Appendix B will contain geotechnical supporting information and will be compiled according to the Applicant's own judgement. However, necessary restrictions on content and quantity which have been imposed by DETI should be complied with.

3.9 ENVIRONMENTAL AWARENESS

22. DETI does not lead on environmental protection in Northern Ireland but insists that Applicants for Petroleum Licences should be expected to demonstrate an awareness of environmental issues and regulatory requirements.

23. Applicants must submit as part of their application an Environmental Awareness Statement ([Appendix C](#)).

3.10 ADDITIONAL SUPPORTING INFORMATION

24. Applicants must provide information on Corporate Structure as required by [Section 5.3.4](#) of this Guidance.

HOW AND WHEN TO SUBMIT THE APPLICATION

4

4.1 DELIVERY REQUIREMENTS, OPTIONS AND TIMING

1. All applications must be made in accordance with [Section 3](#) of this Guidance.
2. Completed applications must be received at the address shown in [Contacts](#), Section 6.
3. Applications may be submitted in the following manner and, subject to the restrictions specified, at any time:
 - **Delivery by hand.** DETI will receive hand-delivered applications at the address shown in [Contacts](#) from Monday to Friday between the hours of 9.00am and 5.00pm. DETI will not accept such applications at any other time or place.
 - **Delivery by post.** DETI recommends use of registered mail, clearly marked for the attention of the Minerals and Petroleum Branch at the address in [Contacts](#). DETI will accept postal applications at any time up to a closing date specified in any Notice in the Official Journal of the European Union or, where no closing date is specified, at any time in the normal course of post.
4. An application (which is full and complete in every respect) is made on the date that it is received by DETI. DETI will refuse incomplete applications, including where any required signatures are absent or inappropriate or the application fee has not been received. If refused applications are resubmitted, the date of the application will be the date on which the resubmitted application (which is full and complete in every respect) is received.

5. Applications made on or before 5.00pm on the 27 August 2010 will be treated as having been made on the 27 August 2010 and will be considered together. Applications for acreage onshore Northern Ireland excluding the internal waters made on or after 30 August 2010 will be considered on a 'first come, first served' basis.

6. Applications made on or before 27 August 2010 will not be checked or considered for completeness by DETI prior to 27 August 2010. It is the responsibility of Applicants to ensure that the application is made in accordance with Section 3 of this Guidance and is complete, including submission of all required documentation and the appropriate application fee.

7. Should the internal waters become available for Petroleum Licence applications, specific timings for any such application will be specified in the relevant Notice in the Official Journal.

4.2 FORMAT OF APPLICATION DOCUMENTATION

8. DETI prefers all material to be at A4 size for ease of handling it (although can accept A3, folded in half, if necessary). This applies equally to material provided on CD-ROM because DETI may wish to print documents for internal use, so please set up your printable documents for A4 printing.

9. Where approved forms are made available by DETI, these must be used by all Applicants,

10. Applicants will wish to provide material that they consider best supports their application, but it is also in their interest to make the material as concise as possible. On the Application Form, the Applicant can add more rows to a table (for example, to make space for all of a company's directors), but the layout of Parts B1 and B2 of Appendix B should not be altered.

11. Any Appendices that are on paper should be in loose-leaf folders or ring binders (no spiral binders). Copies of the Application Form should all be contained in a single clearly marked A4 envelope.

4.3 CD-ROMS

12. DETI requires one paper copy and one CD-ROM copy of all forms and documentation. The Application Form and Financial Capacity Form must be submitted on paper with original signatures. CD-ROMs must be in a format compatible with DETI's own systems. Currently DETI uses Microsoft Office 2003, Microsoft Internet Explorer 6, Arc GIS 9.3 and Adobe Acrobat Reader 8. No password-protection or encryption, please. Applicants are advised to contact DETI for up-to-date advice on software versions in use at the time of application. Each Form to be submitted on CD-ROM must be submitted on a disk of its own (for example, Applicants should not put a Technical Information Form and an Environmental Awareness Statement on the same disk); and each disk must be labelled clearly as set out under 'Labelling'.

4.4 LABELLING

13. Each Form must be clearly labelled with the area being applied for and the name of the proposed operator. A Financial Capacity Form must also be labelled with the name of the Applicant or Licence Partner to which it relates. Where supporting information is separate from its Form, it too must be clearly labelled. This applies equally to paper and to CD-ROM submissions.

4.5 PAYING THE APPLICATION FEE

There is an Application Fee of GBP 1,000 which DETI can accept electronically or by cheque

14. Domestic payments can be made by one of two **methods**:

- by **BACS** to: DETI Northern Bank, cash account no. 60088994 sort code 95-01-21;
- by **cheque**, crossed **A/C payee only** and made payable to the Department of Enterprise, Trade and Investment.

Overseas payments should be made using the SWIFT payment system.

Payments should be in sterling, quoting:

- IBAN Number: BIC:DABAGB2B
- Swift (BIC) Number: GB20 DABA 9501 2160 088994.

15. Use of BACS or SWIFT may incur a handling charge.

ASSESSMENT OF APPLICATIONS

5

5.1 HOW DECISIONS ARE REACHED

This section explains how DETI determines an application for a Petroleum Licence. It also sets out how DETI deals with competing applications for overlapping acreage which are received (or treated as received) at the same time and sets out the Transitional Process which will apply in the event of competing applications for a formerly licensed area where one of the Applicants is a former licensee.

DETI's policy objective is to maximise successful and expeditious exploration and exploitation of Northern Ireland's oil and gas resources, and all decisions will be made in pursuit of that policy. The Petroleum Production Act (Northern Ireland) 1964 gives DETI discretion to decide whether or not to grant a Petroleum Licence and, if so, to whom and on what conditions. DETI has full discretion to make decisions on applications for Petroleum Licences, but will make them in line with published policies, objectives and criteria. DETI is also entitled to refuse to grant a Petroleum Licence, but must ensure that, in doing so, it does not discriminate unfairly between one Applicant and another.

DETI's assessment process comprises two classes of assessments, financial and technical.

The financial assessments are (i) the financial viability assessment and (ii) the financial capacity assessment.

The technical assessments are (i) the operator competence assessment, (ii) the technical capacity assessment, and (iii) the exploration activity assessment.

As part of the exploration activity assessment, DETI will assess:

- the quality of the work that Applicants have already done in selecting an area to apply for and assessing its prospectivity;
- the Applicant's evaluation of the data and information to generate valid prospectivity (prospects and leads); and
- the Applicant's proposed Work Programme.

DETI will also assess whether Applicants possess an adequate level of awareness and competence in relation to environmental protection.

All the assessments will result in either a "Pass" mark or a "Fail" mark except for the exploration activity assessment which will be marked against the predefined Marks Scheme (Annexe 2).

5.2 FINANCIAL VIABILITY ASSESSMENT

1. Applicants are given a "Pass" or "Fail" for this assessment.

2. An Applicant (and each constituent company in a multi-party Applicant) that meets the following criteria will be deemed to be financially viable:

- positive Total Net Assets (Shareholders' Funds);
- a Current Ratio of 1.00 or better; and
- Net Gearing of 75% or less.

3. For the purposes of this process:

- Current Ratio = Current Assets/Liabilities Falling Due in Less Than 12 Months; and
- Net Gearing = Total Debt Less Cash and Bank Balances/Shareholders Funds (expressed as a percentage).

4. A company with a deficit of Total Net Assets (Shareholders' Funds) must demonstrate that the deficit is fully funded (for example, by a corporate parent, directors' or shareholders' loans, commercial debt or other lines of credit), and must produce evidence of the funding.

5. A company with a Current Ratio less than 1.00 must demonstrate that its working capital requirements are financed by adequate short term funding arrangements (for example, by a corporate parent, bank overdrafts, directors' loans, etc.), and must produce evidence of the funding. Arrangements with trade or other creditors are not acceptable because they often imply that an Applicant is in financial difficulty.

6. A company with gearing above 75% must demonstrate that it will be able to service the debt, that is, that it can meet the interest payments and any agreed capital repayment schedule. DETI expects this to be demonstrated by the debt repayment schedule and a cash flow forecast. If the loans have no fixed redemption date, as is often the case with loans provided by a corporate parent or company directors, DETI can accept a written statement to this effect.

5.3 FINANCIAL CAPABILITY ASSESSMENT

7. Applicants are given a "Pass" or "Fail" for this assessment.

8. Applicants submitting a two-part Work Programme with a Drill-or-Drop Commitment need only meet DETI's financial capacity criteria for Part I of their Work Programme before a Petroleum Licence is granted, though they may be awarded higher marks under the Planning and timing section of the Marks Scheme if they demonstrate financial capacity in respect of Part 11 of the

work programme also. Remember though that financial capacity will have to be demonstrated for Part II of the Work Programme before the ‘break point’ or the Petroleum Licence will automatically terminate – the effect therefore is only to defer financial checks, not waive them altogether. The financial checks will be those in force for new applications at the time,

9. DETI requires that each Applicant (and each constituent company in a multi-party Applicant) must demonstrate adequate financial capacity to fund its share of the proposed Work Programme as well as all of its existing commitments (including contingent commitments, Drill-or-Drop Commitments and Firm Commitments) in Northern Ireland and in other countries where it has a stake in licences. For these purposes, an Applicant’s total funding requirements will be the sum of its existing capital commitments and its share of the costs associated with the sum of licences it is seeking to acquire.

10. The form to be completed is Appendix A. It relates to a single company, so each company in a multi-party Applicant must provide its own Appendix A and supporting financial information. The ‘Financial Capacity’ and ‘Expenditure Profile’ sections are to be entered into the Appendix A form, while the ‘Corporate Structure’ is to be added as an attachment. These are all described in more detail in the following sections of this Guidance.

11. If an Applicant will be relying on the financial support of a corporate parent, DETI will require an Appendix A covering the corporate group as a whole. This must be submitted in addition to the Appendix A from the Applicant company.

12. As part of the assessment of an Applicant's Financial Capacity, DETI requires evidence that an Applicant can fully cover the estimated cost of all Firm Commitments. The way in which an Applicant can demonstrate its capacity will vary from one case to the next, depending especially on the Applicant’s size:

- Many oil companies are so big that their [net worth](#) alone is sufficient assurance that they will be able to raise funding where necessary, or can fund the work from their own internal resources. In these cases,

DETI will generally be satisfied by evidence that the company's net assets are significantly greater than the estimated cost and existing commitments, and will not need to consider specific funding arrangements.

- A company whose net worth is not significantly larger than the estimated cost of its proposed commitments will have to prove its capacity by reference to specific funding arrangements.

13. DETI recognises that funding arrangements are infinitely varied and does not want to be prescriptive in this respect. However, some of the ways funding deficits can be met include:

- **Issue of additional share capital:** Provide details of the proposed share issue, together with documentary evidence that (a) the funds are available and have been irrevocably committed to the share issue by the investor(s), or (b) the share issue has been guaranteed/underwritten by a recognised financial institution or stock brokerage (future share issues will not be acceptable without such evidence).
- **Parent company loan/guarantee:** the guarantee provided by the parent company should be in a form acceptable to DETI, and the parent company's group (consolidated) financial position must be satisfactory.
- **Directors' loans** confirmed in writing (the company must satisfy DETI about the directors' ability to make such loans from their private resources).
- **Loans from banks or other financial institutions:** if evidenced by a loan agreement signed by all parties. Loan agreements that have been made conditional upon the grant of the Petroleum Licence are acceptable, but letters of intent from a bank or other financial institution are not.
- **Future cash flows** from existing assets where those assets have proven reserves and are in production. Speculative cash flows, for example,

where assets are not in production and where production is not considered imminent, are not acceptable.

14. If the Applicant company, or the corporate group to which it belongs, intends to fund the proposed Work Programme from future cash flows from assets that are currently in production, DETI will require detailed financial projections for a period of not less than five years. As a minimum, these projections should comprise cash flow forecasts for both the Applicant company and consolidated cash flow forecasts for any corporate group to which the Applicant company may belong. Any assumptions made in the compilation of these forecasts should also be provided.

15. A company must demonstrate adequate financial capacity for all of its applications at the time the applications are made. DETI is not able to defer the financial capacity assessment to give the Applicant additional time to put adequate funding arrangements in place once the application has been made. Companies should not knowingly make more applications than they can comfortably demonstrate funding for.

16. Where DETI is otherwise minded to offer several Petroleum Licences, but the Applicant has only demonstrated its financial capacity for some and not all of them, DETI will offer those Petroleum Licences that are adequately covered. Where there is a choice (that is, Licence A or Licence B but not both), DETI will be guided by the applicant's preference as indicated in its applications.

17. Please note that where funding is to be supplied by somebody other than the Applicant (for example, by a parent company), the burden of proving financial capacity is logically shifted to that other party. In such a case, DETI cannot consider an application if that other party refuses to divulge the financial information that DETI requires.

5.3.1 FINANCIAL CAPACITY QUESTIONNAIRE – APPENDIX A, PART A2

18. To enable DETI to carry out the financial capacity assessment, each Applicant or, for a multi-party Applicant, each Licence Partner must complete the **Financial Capacity Questionnaire** at Part A2 of [Appendix A](#), using separate sheets if necessary.

19. Each company is required to demonstrate its financial capacity to fund the Work Programme (or, where applicable, its share) and must include:

- any financial information for the latest accounting year (with profit forecasts if available) that is not included in the accounts included with the application;
- the total of existing capital commitments; and
- brief details of any contingent liability that is likely to materialise.

20. The information should assume expenditure and liabilities on all of the company's current activities, and also assume that all the Applicant's current applications are successful.

21. The data provided in column (2) of the Financial Capacity Questionnaire should, as appropriate, reflect information taken from the latest annual accounts and the best available estimate of the aggregate liability arising from all applications made.

5.3.2 CAPITAL COMMITMENTS – APPENDIX A, PARTS A3 & A4

22. At Part A3, each Applicant (and each constituent company in a multi-party Applicant) must detail the Firm and Drill-or-Drop Commitments associated with all Northern Ireland Petroleum Licences in which they currently have an interest.

23. At Part A4, each company must state its existing commitments (including contingent, Drill-or-Drop and Firm Commitments) under similar licences in other jurisdictions (DETI does not require a breakdown).

24. Any company which fails to declare known licence commitments may be eliminated if it transpires that the omission would have made a material difference to DETI's assessment of the financial position of the applicant.

5.3.3 EXPENDITURE PROFILE – APPENDIX A, PART A5

25. Each Applicant must show its Planned Expenditure Profile for the Work Programme in the application, showing the Applicants' total expenditure and, for a multi-party Applicant, each Licence Partner must show its own share of that expenditure in each year of the Licence's Initial Term. For Drill-or-Drop Applicants, only the years relating to Part I of the Work Programme need to be completed.

26. Each Planned Expenditure Profile should include:

- **Name of company**
- **Name/ Description of Area**
- **Name(s) of Licence Partner(s)**, in the case of a multi-party Applicant
- **Expenditures:** show the Applicants' total expenditure during the exploration phase² and, in the case of a multi-party Applicant, each Licence Partner's share of that total expenditure.

5.3.4 CORPORATE STRUCTURE

27. Each Applicant (and each constituent company in a multi-party Applicant) must give details of the corporate structure of the group of which it is part, including a diagram.

28. If the company is a subsidiary³ of another company, it must also give its parent's place of incorporation, principal place of business and company registration number.

5.4 TECHNICAL ASSESSMENT – DECISION PROCESS AND CRITERIA

29. The technical assessments are:

- the operator competence assessment;

² In each of the five years of the Initial Term of the Licence or in each of the years of Part 1 of the Work Programme in the case of a Drill or Drop Commitment.

³ As defined in section 1159 of the Companies Act 2006.

- the technical capacity assessment; and
- the exploration activity assessment.

30. DETI will carry out its technical assessment of an Applicant against the technical information provided by the Applicant in Appendix B to its application.

31. The Applicant should present information in whatever form it considers best illustrates its competence, capacity and plans for the acreage and the rationale behind them. DETI does not need a lot of back-up data about previous experience, unless it is directly relevant to the current application. A fit-for-purpose application should normally be less than 30 pages long, including displays (relevant maps and seismic sections indicating well ties, where appropriate).

5.4.1 OPERATOR COMPETENCE

32. DETI will assess the competence of the proposed operator of an Applicant including the technical competence of staff. This will give a "Pass" or "Fail" mark for the Applicant. DETI will only issue a **Standard Petroleum Licence** to an Applicant whose operator is competent to supervise and manage the Work Programme including drilling operations, or to a group that includes an approved operator. This would usually be an exploration operator (see [‘Landward Exploration Operator’](#) for further guidance about the information to be included in the application).

33. For a **Petroleum Licence with a Drill-or-Drop Commitment**, an Applicant does not have to demonstrate that it has operational competence to supervise and manage drilling operations. However, DETI will expect an operator to be nominated and that this operator will be competent to supervise and manage Part I of the Work Programme. Applicants must nominate an operator who is competent to supervise and manage Part II of the Work Programme, including drilling operations, at the relevant Break Point, and the Petroleum Licence will automatically terminate at that time if DETI is not satisfied. The effect is to defer these checks, not abandon them. The checks will be those in force for new applications at the time.

34. DETI will not approve any actual operations by the licensee until there is an approved operator.

35. DETI will consider the approved operator to be the contact point for communications between DETI and the licensee unless otherwise notified.

36. DETI accepts that some elements of an Applicant's competence may not be in place at the application stage. For example, some posts may not be filled at the moment of application, which may occur months or even years ahead of any need for them. Nevertheless, an Applicant will have to convince DETI that it knows what structures and skills are needed and that it has a management team capable of delivering them.

5.4.2 TECHNICAL CAPACITY

37. DETI will need to be satisfied that the Applicant has sufficient technical resources to carry out its duties under the Work Programme and its other obligations under a Petroleum Licence if granted. This capability need not all be 'in-house' – the use of consultants and sub-contractors to fulfil these requirements is acceptable – and DETI also recognises that these contracts will not necessarily be in place at the time of application. However, the Applicant will need to demonstrate that it has the expertise and resources to manage the specified Work Programme. For larger companies, it is expected that most of the resources will be available 'in-house', whereas a very small company with little experience should expect to come under greater scrutiny and have to provide more information than an established operator with a proven track record. This assessment will result in a "Pass" or "Fail" mark for an Applicant.

38. In completing Appendix B, the Applicant will need to provide DETI with:

- Details of previous experience of supervising, managing and undertaking the activities in the proposed Work Programme;

- Lists of (a) the skills that exist in-house and (b) the skills to be contracted, including, where possible, named personnel with their role, qualifications and experience; and
- scope of relevant insurance coverage.

5.4.3 EXPLORATION ACTIVITY ASSESSMENT

39. In carrying out the exploration activity assessment, DETI will assess:

- the quality of the work that Applicants have already done in selecting an area to apply for and assessing its prospectivity;
- the Applicant's evaluation of the existing data and information to generate valid prospectivity ([prospects](#) and [leads](#)); and
- the Applicant's proposed Work Programme.

40. DETI's assessment is based on the information provided by the Applicant in Appendix B (technical work done and Work Programme) of its Application. For the area applied for, the application should include a detailed description of:

- the data coverage (map and table summarising amount and type) and how this was utilised in the analysis; for seismic data please enclose lists and maps showing the areas of seismic coverage (full fold) utilised in the application;
- the analysis performed (including details and results of any re-processing and interpretation of data) and the overall prospectivity potential (or lack of) identified within the application area and its relationship to the regional geology of the area;
- the identity and analysis of [new play concepts](#), [leads](#) and/or [prospects](#) in the acreage, together with predicted reservoir performance and reserve information (including risk/chance of success); also, if applicable, include appropriate consideration of potential commercial, infrastructure and outline economic analysis if existing discoveries are being considered for further appraisal or development. The

Lead/Prospect Summary Sheet (Form B4) is discussed in more detail below; and

- a detailed description of the Work Programme proposed for the Petroleum Licence's five-year Initial Term. The minimum Work Programme is a Drill-or-Drop commitment with a depth/horizon indicated. The Work Programme and the Work Programme Summary Sheet (Form B2) are discussed in more detail below.

41. The assessment is against the [Marks Scheme](#) detailed at Annexe 2.

42. The Work Programme will be assessed against the size of the area applied for, in line with DETI's policy objective of maximising successful and expeditious exploration and exploitation of Northern Ireland's oil and gas resources. To this end, DETI will not grant a licence for an area greater than is justified by the extent of the proposed work programme, although this may vary from basin to basin depending on prospectivity and play type. Applicants are advised that their Initial Term Work Programme should enable them to significantly refine their prospectivity assessment throughout the area applied for.

43. DETI recognises that an Applicant may wish to focus their exploration on specific [prospects](#) or [leads](#) within the area applied for. In the absence of geographically pre-determined licence blocks, Applicants should list sub-areas, [prospects](#) or [leads](#) in order of priority in Appendix B. Any such preferences will be taken into account should DETI decide to offer an Applicant only part of the area applied for, either where DETI considers that the proposed Work Programme is inadequate for the whole area or where more than one Applicant has applied for a particular area.

44. Note that where the Transitional Process applies to a former licensee, DETI is required by [regulation 13\(3\) of the Regulations](#) to adjust the marks obtained by the former licensee. This is described in more detail in [Section 5.6.3](#) below.

45. In some cases, DETI may consider that additional factors which are not covered by, or amenable to, the [Marks Scheme](#) are relevant to the achievement of DETI's policy. Examples of such factors could include:

- cases where direct comparison between competing applications is difficult, such as cases where the geographical coverage and geological focus is different, and cases where competing Work Programmes offer a choice between a [prospect](#) specific investigation and a wider area investigation; and
- any lack of efficiency and responsibility displayed by the Applicant in operations under a licence in Northern Ireland.

46. In some cases, DETI may accommodate some of these factors by:

- suggesting a “marriage” between competing Applicants;
- adjusting applications for competing acreage with the agreement of the Applicants (and each Licence Partner for a multi-party Applicant) so that each Applicant receives the areas that their Work Programmes are focused on; or
- granting a Petroleum Licence to a company that did not score the highest marks.

47. DETI may suggest a marriage between competing Applicants where their interests, expertise, etc are complementary but they cannot be separated geographically. However, it remains up to the Applicants to make the marriage and agree on terms. Part of the process will be to agree on a new Work Programme, which must be acceptable to DETI. If Applicants are unable or unwilling to marry, DETI will choose between them.

48. Parts of the [Marks Scheme](#) are closed to Applicants for a **Petroleum Licence with a Drill-or-Drop Commitment**. For example, a Drill-or-Drop Applicant cannot be given marks for a Firm drilling commitment (although an Applicant may be awarded higher marks under the Planning and timing section of the Marks Scheme if it demonstrates technical capacity in respect

of Part 11 of the work programme in addition to Part 1). It follows that, where Drill-or-Drop Applicants are in competition with an Applicant for a **Standard Petroleum Licence**, the acreage will usually be granted to the latter. Therefore, where an Applicant is able to prove its ability to drill a well during the first term of the Petroleum Licence and is willing to make that commitment, DETI recommends that it should do so by applying for a **Standard Petroleum Licence**, so that this capability can be taken into account and marks awarded accordingly.

5.4.3.1 LEAD / PROSPECT SUMMARY SHEET – FORM B1

49. Each [lead](#) or [prospect](#) in the application must be plotted on its own Lead/Prospect Summary Sheet. Additional sheets are required if leads or prospects are identified at more than one horizon (for example, Triassic and Carboniferous), though for each lead/prospect it must be kept to a single page with ING co-ordinates of the map boundaries. When the application contains more than one lead or prospect or when the Lead/Prospect map covers only a part of the area applied for, an additional summary map must be supplied showing all the leads or prospects within the total area applied for in the application. DETI can accept an A3 Landscape Summary Map for an area, provided that parts of the area covered are contiguous. When providing information on CD-ROM, include a .jpg file for each of these Lead/Prospect Summary sheets.

50. Complete the boxes on the Lead/Prospect Summary Sheet as follows:

- **Name of operator**
- **Name and description of the Area** applied for. This will usually be of the form ‘Basin Name: Geographical Feature’: please see the [GSNI website](#) for a list of basin names; the geographical feature could be a town, townland or topographic feature, for example, Larne Basin: Islandmagee, Lough Neagh Basin: West, or Lough Allen Basin: Fermanagh Highlands.

- **Name of the [lead](#) or [prospect](#)**, followed by a **brief description**, including any further work required for evaluation.
- **Map:** Insert a map, scaled by depth with units clearly annotated (metric or imperial), showing the location within the area of any [prospects](#), [leads](#), or [new play concepts](#). It can be a schematic 'blob' map, a composite map or a horizon map, as the Applicant thinks best. Please show ING squares on the map 10km or 1km as appropriate.
- **Geological cross-section:** Insert a representative geological cross-section, indicating the play types.
- **Representative seismic section:** Insert a representative seismic section, if available, indicating the play types.
- **Metrics:** Provide, as far as possible, estimates of the size of the prospect/lead/new play/discovery including hydrocarbons in place and reserves.
- **Technical chance of success:** Provide, as far as possible, estimates for trap presence, seal effectiveness, reservoir presence, reservoir quality, source rocks, etc.
- All depths and measurements should have clearly annotated units (metric or imperial).

51. DETI requires all **map information** to be specified using ING co-ordinates. All maps must show ING co-ordinates clearly.

5.4.3.2 WORK PROGRAMME

Each application must include a Work Programme which is the minimum amount of exploration work that the Applicant will carry out if it should be granted a Petroleum Licence. The Work Programme may be discussed and clarified at interview.

The Work Programme is a crucial part of the application and will form an important part of the Petroleum Licence itself. The Petroleum Licence will expire at the end of the Initial Term (possibly earlier if a Break Clause is included) if the Work Programme has not been completed by then. Along with the technical work already carried out, it is one of the main factors that DETI will use to judge between competing applications.

52. The **Work Programme** is part of any Petroleum Licence granted and consists of one or more elements of exploration work. Its principal function is to define the minimum amount of work that the licensee must carry out if the Petroleum Licence is not to expire at the end of its Initial Term. In addition, the licensee may make commitments to DETI to carry out some or all of these elements.

53. Work Programmes normally consist of well commitments, seismic acquisition (existing or new [shoot](#)) and ‘other’ exploration activities (for example: electromagnetic, geochemical, gravity, magnetic, or magnetotelluric surveys and modelling, geoscientific studies, or studies of the appraisal/development potential of existing discoveries).

54. Well commitment: the prime objective of a Petroleum Licence is to test the prospectivity by means of drilling one or more wells within the Initial Term. The prospectivity, and the information on which this is based, varies considerably between different areas. This is reflected by two levels of drilling commitment:

- A 'Firm' drilling commitment is a commitment to DETI to drill a well. It is only appropriate if the Applicant is quite certain that it would drill if granted a Petroleum Licence.
- A 'Drill-or-Drop' commitment leaves the decision whether or not to drill entirely with the licensee. This decision must be taken before the Break Point when the Petroleum Licence will terminate if the licensee decides not to drill.

55. Seismic data: specify for each ING 100km² square, the amount of 2D (in line kilometres) or 3D seismic (area of full migration, in square kilometres) to be acquired over the area, distinguishing between [shooting](#) new data and [obtaining](#) existing data (whether by purchase or other means). A description of any further acquisition of data outside the area should be supplied, noting how it relates to the acreage applied for. Indicate whether the new data will be proprietary, speculative (and the degree to which underwritten), purchased or traded. Include an outline of any reprocessing programme. Indicate the timing of the proposed activity after the grant of a Petroleum Licence. Contingent seismic bids will not be accepted or marked. Applicants are obliged to archive any new or re-processed data with the [GSNI](#).

56. Other Work: For each ING 100km² square, a description of any other work planned – surveys, research, technological development or studies relevant to the evaluation of the area (for example: electromagnetic, geochemical, gravity, magnetic or magnetotelluric surveys and modelling, geoscientific studies, or studies of appraisal/development potential of existing discoveries). In the case of applications with two-part Work Programmes this should include the Applicant's plans and approach to secure the equipment, personnel and other resources needed to complete Part II of the Work Programme.

57. The geotechnical (non-drilling) part of a Work Programme should be designed to improve the prospectivity assessment of an area, by refining the definition of specific [prospects](#) or determining if [leads](#) can be upgraded into [prospects](#) ready to drill. In particular, in a Work Programme with only a Drill-or-Drop well commitment, the Applicant should demonstrate how its

geotechnical work would help them decide whether or not to make a firm commitment to drill within the Initial Term.

58. DETI views Firm commitments (both drilling and geotechnical work) as a core part of the licensing regime. DETI reserves the right to characterise any failure to meet a Firm commitment as poor performance, which will be taken into account in future decisions; for example, by awarding no marks for commitments offered in future applications or even in a refusal to accept any further applications from the licensee.

59. A Work Programme must contain at least one drilling commitment (whether it be Firm or Drill-or-Drop). Work Programmes that contain nothing more than data acquisition or office studies will not be accepted.

60. For work other than drilling, only Firm commitments will be accepted – contingent new [shoot](#) seismic will not be rewarded in the [Marks Scheme](#). Applicants should make clear where any seismic that has been used for the interpretation has not yet been purchased.

61. The technical work done and the Work Programme are the main deciding factors between competing Applicants (assuming they meet such financial and technical criteria as are appropriate). There is a full description of all the technical aspects of an application at [Appendix B](#).

5.4.3.3 WORK PROGRAMME SUMMARY SHEET – FORM B2

62. The Applicant should use the Work Programme summary sheet to set out the proposed Work Programme that the Applicant would commit to complete if granted a Petroleum Licence: one sheet per ING 100km² square.

63. Complete the boxes on the Work Programme Summary Sheet as follows:

- **Name of operator**
- **Name and description of the Area applied for**

- **Wells:** Include the number of [Firm](#) or [Drill-or-Drop](#) wells. Include for each one an indication of the target depth (the minimum depth), stratigraphic formation or seismic target reflector qualification, the seismic horizon to be penetrated. *Example:* One well to 3,000m with the Drill-or-Drop decision before end of year three.
- **Seismic data:** specify for each ING 100km² square, the amount of 2D (in line kilometres) or 3D seismic (area of full migration, in square kilometres) to be acquired over the area. Distinguish between [shooting](#) new data and [obtaining](#) existing data (whether by purchase or other means). Describe under Comments any further acquisition of data outside the area, noting how it relates to the acreage applied for. Indicate whether the new data will be proprietary, speculative (and the degree to which underwritten), purchased or traded. Include an outline of any reprocessing programme. Indicate the timing of the proposed activity after grant of the Petroleum Licence. Seismic data already acquired for evaluation of the acreage applied for should be covered in Appendix B, not here. Contingent seismic bids will not be accepted or marked. Applicants will be obliged to archive any new or re-processed data with the [GSNI](#).
- **Other Work:** For each ING 100km² square, a brief summary of any other work not already described – surveys, research, technological development or studies relevant to the evaluation of the area (for example, geotechnical studies, gravity, magnetic, magnetotelluric or other geophysical surveys, geochemical surveys, or studies of the appraisal/development potential of discoveries. In the case of applications with two-part Work Programmes this box should also summarise the Applicant’s plans and approach to secure the resources needed to complete Part II of the Work Programme.
- **Plans for existing discoveries:** Outline any Work Programme commitments that may not fit with exploration commitments above.
- **Comments:** Any other information. Indicate Work Programme linkages. (For example: 25km² of 3D seismic to define drilling location for

- Ballytober prospect, 100km of 2D seismic to map prospects and identify leads in the Permo-Triassic tilted fault block play.) Identify priorities for any parts of the area applied for (for example, “*Irish Grid 100km² Squares 33 39 and 34 39 containing the Ballynure and Glenoe prospects are the highest priority*”). Applicants can outline and label priority areas on a separate A4/A3 size map, or the lead/prospect summary map from Form B1, for greater clarity.

5.5 ENVIRONMENTAL ISSUES – APPENDIX C

DETI does not lead on environmental protection in Northern Ireland. This is the responsibility of the Department of the Environment through the Northern Ireland Environment Agency. DETI expects that Applicants for Petroleum Licences should demonstrate an awareness of environmental issues and regulatory requirements. Accordingly, Applicants for Petroleum Licences must demonstrate that they possess an adequate level of awareness and competence in relation to environmental protection.

64. [Appendix C](#) should set out the Applicant's understanding of (i) Northern Ireland's environmental legislation which is relevant to the exploration, development and production stages of the project and (ii) the broad environmental sensitivities of the area applied for and how the Applicant would address those sensitivities in operational planning. DETI's assessment of the Applicant's understanding of environmental issues will give a "Pass" or "Fail" mark for the Applicant.

65. In providing the Environmental Awareness Statement, DETI accepts that fully meeting the environmental requirements may be unnecessary at the licence application stage, and that development of firm proposals may be dependent on the grant of a Petroleum Licence. DETI may consult the Northern Ireland Environment Agency before granting a Petroleum Licence. Applicants will therefore be expected to provide only a brief submission on the

above to demonstrate that they understand the environmental requirements and sensitivities.

5.6 DETI'S DECISION MAKING PROCESS

66. The financial and technical assessments carried out by DETI will result in either a "Pass" or "Fail" mark except for the exploration activity assessment which will be marked against the pre-defined [Marks Scheme](#) (Annexe 2).

67. An Applicant must receive a "Pass" for each applicable assessment in order to be granted a Petroleum Licence.

68. If there is a single Applicant for particular acreage, DETI will normally grant a Petroleum Licence to the Applicant. However, where DETI considers that the Work Programme is inadequate for the whole area applied for, a reduced area may be offered to the Applicant.

69. Where there is more than one Applicant for acreage, DETI will normally grant a Petroleum Licence to the Applicant who has scored the highest marks. If the competing Applicants have equal marks, DETI may take into account other objective and non-discriminatory criteria in deciding to grant a Petroleum Licence to a particular Applicant.

70. Under the Transitional Process, where there are competing Applicants for acreage which was licensed under the previous regime in Northern Ireland and one of the Applicants is the former licensee in respect of the acreage applied for, DETI will follow the procedure set out in [regulations 13 and 14 of the Regulations](#).

71. When DETI makes a decision, it will inform the successful Applicant. See [Section 2.4, paragraph 18](#) for more details. DETI has the discretion to refuse to grant a Petroleum Licence to any Applicant including on the grounds of national security if an Applicant is effectively controlled by third countries or third country nationals ([see regulation 4\(5\) of the Regulations](#)). In doing so, DETI will ensure that it does not discriminate between one Applicant and another.

72. DETI aims to grant a Petroleum Licence within three to four months from the date on which an application is made. It may take longer than this to determine competing applications or to deal with a number of applications to be determined at the same time under the 'Transitional Process'.

5.6.1 INTERVIEWS

73. DETI will normally interview all Applicants (certainly where there is competition for the same acreage) before granting Petroleum Licences. Interviews will take place in Belfast. The first interview will be held within four weeks of any closing date for applications, but it is not possible to predict when the last one will occur – that depends on the number of applications.

74. The main purpose of the interview is to enable the Applicant to present the technical rationale for the application, and for DETI to ask questions and seek clarification of aspects of the written application. The interview is likely to focus on:

- the Applicant's geotechnical data coverage and work done to date;
- identified prospectivity;
- the potential for appraisal or development of existing discoveries that the Applicant has identified; and
- how the above relate to the Work Programme offered and, in particular, how the Applicant intends to distribute the Work Programme activities across the application area. Applicants should be prepared to discuss any areas which the Applicant intends to prioritise, and the order of priority attributed to these areas.

75. Applicants may be asked to provide further details of some elements of their Work Programme, understanding of the petroleum geology, or exploration strategy at interview, but cannot substantially increase the scope of their work commitments from the submitted application. If an Applicant has carried out further assessment since submitting its application it may

seek to reduce its commitment from a Firm well to a Drill-or-Drop. This would be allowed if it is for acceptable reasons, but would obviously affect an Applicant's scoring against the [Marks Scheme](#).

76. The information DETI gathers from the interview process will be used to fully assess and mark an application. In particular, this information may be used to consider competing applications for an area, or to assess the likelihood that a Work Programme will result in sufficient exploration of an area applied for.

77. DETI may request further meetings after the interview if further clarification or understanding is felt necessary.

78. All competing applications for any particular area will be evaluated by the same lead technical assessor for consistency of approach.

5.6.2 COMPARING APPLICATIONS BY THE USE OF OTHER OBJECTIVE AND NON-DISCRIMINATORY CRITERIA

79. Where two or more applicants who have applied for the same acreage meet DETI's financial criteria, standards of operatorship and technical capacity, DETI's geoscientists will make a recommendation to grant a licence after appraising the respective geotechnical submissions. (In practice, DETI will start arranging interviews without waiting to see the results of the financial and operatorship checks, so Applicants should not assume that being called to interview indicates that they have passed them). They will base their recommendation on their exploration activity assessment covering:

- the technical understanding demonstrated by the Applicants;
- the generation of valid prospectivity derived from evaluation of available data;
- the quality of the work that Applicants have already done in selecting an area to apply for and assessing its prospectivity; and
- the proposed Work Programme.

80. Applications will be marked against these criteria according to a predefined [Marks Scheme](#) and a Petroleum Licence will normally be granted to the Applicant with the highest marks.

81. If more than one Applicant scores equal marks in respect of an application for the whole or part of the same area, DETI may decide who to grant the Petroleum Licence to by taking into account other objective and non-discriminatory criteria. Examples of other objective and non-discriminatory criteria include:

- past performance including any lack of efficiency and responsibility displayed by the Applicant in operations under a licence outside Northern Ireland;
- environmental credentials;
- health and safety record.

82. Once DETI has identified that two or more competing Applicants have equal marks, DETI will notify them of the relevant objective and non-discriminatory criteria that it may be applying.

83. DETI will give the competing Applicants the opportunity to make further submissions to it on how the Applicant meets these other objective and non-discriminatory criteria.

84. Once DETI has received all further submissions from the competing Applicants, DETI will make its decision based on the notified objective and non-discriminatory criteria and the Applicants' submissions.

5.6.3 COMPARING APPLICATIONS INVOLVING A FORMER LICENSEE UNDER THE TRANSITIONAL PROCESS

85. Under the 'Transitional Process', where two or more Applicants apply for the same acreage and one of the Applicants is a former licensee, DETI will follow the procedure set out in [regulations 13 and 14 of the Regulations](#).

86. Applications will initially be assessed and marked in the normal manner as described in [Sections 5.2 to 5.5](#) inclusive and [Section 5.6.2](#) above. If this assessment results in an application, other than an application from a former licensee, scoring the highest marks, a licence will normally be granted in respect of that application.

87. If the assessment results in an application from a former licensee scoring the highest marks, DETI will adjust the marks scored by the former licensee under the [Marks Scheme](#) to take into account any advantage obtained by the former licensee as a result of the information it holds due to its previous licence and which has not been previously disclosed. This adjustment may result in the former licensee's application and at least one other application being treated as being of equal merit. A licence will not be granted in respect of any application scoring less than the top two.

88. Once this adjustment process is carried out, DETI may consider determining the competing applications on the basis of other objective and non-discriminatory criteria. This is discussed in [Section 5.6.2, paragraph 81](#) above.

89. If, after taking account of other objective and non-discriminatory criteria, the competing applications remain of equal merit, DETI will consult the competing Applicants and adjust the areas applied for with the agreement of all the Applicants with a view to granting a Petroleum Licence to each Applicant in respect of areas which do not overlap.

90. If agreement to adjust the areas applied for cannot be reached with the Applicants, the procedure set out in regulation 14 of the Regulations will apply. DETI will disclose to the competing Applicant information acquired by the former licensee in the course of its activities in the area formerly granted by licence subject to certain conditions and that Applicant will be allowed a further period not exceeding 90 days to revise its application in the light of that information.

91. A competing Applicant to whom information is disclosed will be required to sign a prior declaration that it will treat the information as confidential and

give a written undertaking that it will compensate the former licensee for the information in the event that the competing Applicant is granted a licence. If the competing Applicant does not agree to be bound by these conditions, both its original application and that of the former licensee will be assessed in the manner described in Section 5.6.2 and the adjustment process described at paragraph 87 above shall not apply.

92. The amount of compensation payable will be set by an independent assessor appointed by DETI. The assessor will fix an amount of compensation which is fair and both the former licensee and the competing Applicant will have an opportunity to make representations to the assessor for that purpose.

93. Following the period granted to the competing Applicant to revise its application, the competing applications will be considered in the manner described in [Section 5.6.2](#).

CONTACTS

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DETI's address is: **Minerals and Petroleum Branch
Department of Enterprise, Trade and Investment
Colby House
Stranmillis Court
BELFAST
BT9 5BF**

e-mail: minerals@detini.gov.uk

For financial viability or capacity issues and for general enquiries about Licensing administration, contact Sam McAllister:

tel: 028 9038 8462

fax: 028 9038 8461

e-mail: sam.mcallister@detini.gov.uk

For geological and other technical issues (Appendix B) and marks scheme, contact Derek Reay:

tel: 028 9038 8462

fax: 028 9038 8461

email: derek.reay@detini.gov.uk

For **tax issues**, contact HM Revenue and Customs, Revenue Policy, International:
Energy Group, Melbourne House, Aldwych, London WC2B 4LL:

tel: 020 7438 7437

fax: 020 7438 6374

ANNEXE 1

TECHNICAL GLOSSARY

1. A **prospect** is a robust structural, stratigraphic or combination feature that has been mapped with a high degree of confidence using good quality seismic and other key data, and which is ready to be drilled.
2. A **lead** is a structural, stratigraphic or combination feature that requires additional seismic analysis/acquisition or other key data in order to progress to a prospect.
3. A **new play concept** is an unproven concept in the area (for example, deeper potential, additional reservoirs, or a seismic attribute anomaly).
4. A **Firm Well Commitment** is a firm commitment to drill a well. It is not contingent on any further geotechnical evaluation. Essentially, drilling could begin immediately, subject only to outside factors like other regulatory regimes, rig availability or weather. Once a Petroleum Licence has been issued, the licensee should not expect DETI to waive a Firm well commitment. DETI will not reward multiple Firm well commitments within or possibly across applications if they duplicate the geological target of other firm wells (that is, if a failure in one would effectively condemn the other).
5. A **Drill-or-Drop Work Programme** carries no commitment to drill. The decision whether or not to drill the well rests entirely with the licensee, and DETI does not consider it to be poor performance to decide not to drill. The Petroleum Licence will, however, terminate at a specified Break Point (normally three years) if the licensee decides not to drill a well. If the licensee does decide to drill a well and the Petroleum Licence continues, the commitment becomes a Firm obligation and the well must be spudded before the end of the Initial Term.
6. A right of **Pre-emption** is a licensee's right to acquire a Petroleum Licence interest in place of another company that has recently agreed to buy it from another licensee. It is generally implemented by one of the clauses of a Joint Operating Agreement or similar agreement. Many such agreements have no such provisions.
7. To **shoot** seismic data (in the context of a Work Programme Commitment) means to carry out a new seismic survey.

8. To **obtain** seismic data (in the context of a Work Programme Commitment) means to get the use of the data by purchasing or otherwise getting the use of existing data. It is for the licensee to decide how.

9. A company's **net worth** is equal to its total net assets less its intangible fixed assets.

10. Promotional Plans – in the case of an application for a **Petroleum Licence with a Drill-or-Drop Commitment**, the Applicant's plans for and approach to securing the financial and technical resources necessary to complete Part II of the Work Programme.

11. Current Ratio equals Current Assets/Liabilities Falling Due in Less Than 12 Months.

12. Net Gearing equals Total Debt Less Cash and Bank Balances/Shareholders' Funds (expressed as a percentage).

ANNEXE 2

THE MARKS SCHEME

1. The Marks Scheme is designed to reward Applicants for the use of relevant available technical data (wells, seismic, etc), the quality of the work already done, the technical understanding demonstrated in the generation of valid prospectivity (over the whole area and throughout the full stratigraphic column) and the information and analysis this is based on, and the proposed Work Programme.

2. The Marks Scheme will be used to mark applications. The Marks Scheme consists of eight sections (a marks scheme summary is presented at the end):

- **Geotechnical database:** Marks will be available for the coverage (including newly-gathered data) and use of relevant existing geotechnical data. Data from outside the area (to provide regional context) will only be rewarded where it demonstrates improved understanding of prospectivity (or lack of potential) on the area itself.
- **Geotechnical evaluation (area as a whole):** Marks will be available for the quality and understanding demonstrated in the generation of realistic prospectivity and new play potential on the area as a whole. This work should assess the potential of the area (including stratigraphically). Applicants should not expect to be rewarded for speculative, overly optimistic or unsupported analysis, and where appropriate they should explain the rationale for a lack of prospectivity at particular levels within the area applied for.
- **Specific prospectivity identified:** Marks will be available for what DETI understands and considers as valid leads and prospects on the area that will be progressed either through a technical Work Programme or which are ready to drill. DETI will categorise and mark leads and prospects as either leads or prospects ready to drill depending on consideration of validity/risk and the degree to which further work is necessary before they are fully evaluated and ready to drill. Marks within the ranges will also consider the quality of interpretation and understanding demonstrated in the lead or prospect generation. Few, if any, marks will be awarded to leads that are based on speculative

geotechnical arguments, are so small as to have limited commercial potential, or where DETI takes the view that prospectivity has been effectively disproved. Applicants should include volumetric estimates of leads and prospects with associated risk analysis where possible. A series of leads or prospects identified at a similar reservoir level on an area will be marked as one where information from a single well would effectively condemn the other leads.

- **New Plays** will be assessed against the information used, the quality of interpretation in their evolution, and on DETI understanding of their potential validity.
- **Geotechnical Work Programme:** This includes commitments for the shooting of new seismic data, obtaining existing seismic data, reprocessing of seismic data and other geotechnical studies, for example, biostratigraphy, geochemistry, petrophysics, fault seal analysis, etc. Work should be linked to identified prospectivity where possible. For new data acquisition (including gravity or magnetic surveys), only firm commitments will receive marks.
- **Drilling Work Programme:** This falls into two categories:
 - Each **Firm well** will attract a block of 50 marks, with up to 20 additional marks available where deeper prospectivity or technically challenging prospects are to be drilled (for example, extended reach).
 - **Drill-or-Drop wells** will only attract marks where an early decision point is committed to – 20 marks for a decision before the end of Year 3, 10 marks before the end of Year 4, 0 marks if the commitment is only to make the decision to drill before the end of the Initial Term. If a decision to drill is not made at the stated time, the Petroleum Licence will terminate.
- **Evaluation and plans for existing discoveries:** Marks will be available for work that demonstrates the quality and understanding of the appraisal/development potential of existing discoveries, including an

- assessment of extent and reserve potential, an outline economic case, understanding of commercial aspects and what infrastructure would be necessary for optimal timely development or further appraisal. Forward plans with associated timelines should be presented.

NORTHERN IRELAND MARKS SCHEME SUMMARY

Prospectivity evaluation

Geotechnical database used

3D Seismic:.....	30 (max)
2D Seismic:.....	20 (max)
Seismic reprocessing:	15 (max)
Well data:	6 (max)
Other:	10 (max)

Geotechnical evaluation already performed over area

Well interpretation/ties:	6 (max)
Stratigraphic interpretation:	6 (max)
Structural interpretation:	6 (max)
Seismic interpretation:.....	6 (max)
Hydrocarbon system:	6 (max)
Depth interpretation:	6 (max)
Other:	10 (max)

Specific prospectivity identified

Leads and prospects not fully evaluated.....	20 each (max)
Fully evaluated prospects:	21-30 each

New plays..... 5 each (max)

Work Programme

Geotechnical Work Programme

3D seismic	25 (max)
2D seismic	15 (max)
Seismic reprocessing:	10 (max)
Geoscientific studies/new non-seismic data acquisition:	20 (max)

Drilling Work Programme

Firm well*:	50 (+0-20 if deep)
Drill-or-drop:	0-20 (timing dependent)

Existing discoveries (if applicable)

Technical assessment:	5 (max)
Economics:	5 (max)
Commercial:	5 (max)
Infrastructure:	5 (max)

Plans and timing: 0-10 (max)

Applicants should note that the marking will take into account the size of area applied for – for example, a commitment of 100 line kms of new 2D seismic in an area of 200 km² will attract a higher mark than the same commitment in an area of 300km².

*Marks will not necessarily be awarded for each sidetrack or multiple Shale Gas Wells.